MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2021/2022

DTX5014 – TAXATION 1

(All Sections/Groups)

25 NOVEMBER 2021

9.00 a.m – 12.00 p.m

3 Hours

INSTRUCTIONS TO STUDENT

1. This question paper consists of 10 pages with 4 questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Ms. Miroka, who is a Japanese, is a manager of detergent company in Japan. However, she has been transferred to the company's branch in Malaysia since the year 2012. The record of her stay in Malaysia is as follow:

Year Assessment (YA)	Days of stay in Malaysia
2012	1 June - 30 July
	1 September - 31 December
2013	10 January - 24 May
2014	5 October - 31 December
2015	1 January - 27 March
	9 April - 13 July
2016	19 February - 4 April
	12 June - 25 July
2018	27 February – 20 March
	3 July – 16 December
2019	1 January – 12 February
	21 August – 30 September
2020	1 January – 31 March

Additional information:

1. Ms. Miroka went for a holiday in Sabah from 28 March until 8 April 2015.
2. Ms. Miroka underwent medical treatment for the whole year of 2017 at her hometown.
3. She represented her company in a business conference in Thailand for 15 days from 17 December until 31 December 2018.
4. She went for a social visit in Singapore from 10 August to 20 August 2019.

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Required

a) Determine tax residence status of Ms. Miroka for the relevant Years of Assessment (YA). Give reasons and quote the relevant provisions of the Income Tax Act 1967 (as amended) to support your answer. (19 marks)

b) How much should Ms. Miroka pay to Inland Revenue Board Malaysia (IRBM) in YA2020 if she received an annual salary of RM120,000 and 2-months, bonus during the year by assuming that Ms. Miroka is a non-resident. (2 marks)

c) How would your answer in (b) change if Ms. Miroka is staying in Malaysia for 200 consecutive days in YA2020. In addition, she was unmarried and made a purchased of a new smartphone worth RM3,000 for the year. (4 marks)

(Total: 25 marks)

QUESTION 2

Encik Kay, who is 50 years old, works at Pitarakaman Sdn Bhd since June 2010. He was appointed as a manager with a revised monthly salary of RM9,850 effective from 1 January 2020. In addition, he receives interim bonuses of RM5,180 in July 2020 and RM9,595 in September 2020.

Following are the benefits provided by Pitarakaman Sdn Bhd to Encik Kay beginning from 1 January 2020, or stated otherwise:

1.	Dental treatment	RM30,000
2.	Entertainment allowance	RM7,600
3.	Company's shares of 12,000 units of RM1.70 each which was offered to Encik Kay under the share option scheme on 1 January 2020. The share option scheme was exercisable on 1 March 2020 where the market value at that date was RM2.50 each. On 1 July 2020 he took up the option when the market value of the share was RM3.20 each.	
4.	Past achievement award.	RM 5,000
5.	A company's car with fuel (purchased in January 2015)	RM 142,000 (cost)
6.	Driver	RM 550 monthly

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7.	Travelling allowance between home and place of work.	RM580 monthly
8.	Toll card for official duties.	RM7,300
9.	Leave passage for Encik Kay, spouse, 3 kids and his parents to Hong Kong, China: i- Air fares and insurance ii- Hotel and meals	 RM24,500 RM13,300
10.	Leave passage around Malaysia for Encik Kay and his immediate family to: i- Penang ii- Pulau Pangkor iii- Tasik Kenyir iv- Melaka	 RM1,800 RM2,100 RM3,400 RM1,200
11.	Full scholarship to Encik Kay – further study in Master in Business Administration	RM18,000
12.	Tuition fees for the children	RM3,720
13.	Childcare allowance – to childcare centre (1 year-old)	RM3,500
14.	A semi-furnished house (without air-conditioner)	RM1,900 per month (including furniture of RM760)
15.	Domestic help	RM600 per month
16.	Gardener	RM320 per month
17.	Utility bills under the company's name	RM420 per month
18.	Broadband subscription fee under Encik Kay's name	RM1,100
19.	Corporate membership in Equestrian Club: i- Entrance fee ii- Monthly subscription	 RM4,900 RM400
20.	Traditional medical treatment	RM1,300

Required

a) Compute the statutory income from employment of Encik Kay for YA2020. Round up your answer into the nearest Ringgit Malaysia (RM). (16 marks)

b) Advise Encik Kay on the tax implication of the sum received for the following independent situation for year 2020:
(You may include computation to support your answer)

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i. Due to cash flow problem, Encik Kay was terminated by the company on 31 December 2020. He was paid a gratuity of RM43,000 for termination of contract and RM218,000 as a compensation for loss of employment. (4 marks)

ii. What would happen to the accommodation received if Encik Kay is appointed as a director of the company? (5 marks)

(Total: 25 marks)

QUESTION 3

Part A

Cik Mira is a tax resident in Malaysia for YA2020. She owns a residential property in Kedah, which she rented out since 2018. For the year 2020, Cik Mira has received rental amounted to RM1,150 per month from January until April. However, the tenant moved out and the house vacant for the whole month of May. Luckily, Cik Mira managed to find a new tenant. Her rental agreement with the new tenant states the following:

i. The tenant was to pay monthly rental of RM1,300 from June until December 2020.

ii. The tenant was to pay a refundable deposit of RM2,600.

iii. The tenant was also to pay a refundable utility deposit of RM830.

The expenses Cik Mira made throughout the year 2020 with regard to the rental property are as follows:

	RM
i. House Property assessment fee	2,600
ii. Quit rent - Year 2020	560
- Year 2019	500
iii. Repairs which was carried out in August 2020:	
- Repainting the wall	1,900
- Replacement of damaged toilet bowl	270
- Renovation of kitchen	6,500
- Plumbing	240
iv. Advertisement fees to get tenant in May 2020	140
v. Installation of television set	220
vi. Fire insurance premium	510

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Required

(a) Calculate the income tax payable on Cik Mira's rental income for the Year of Assessment 2020. (9 marks)

(b) Explain your answer on the tax adjustments made for quit rent in the years 2019 and 2020. (2 marks)

Part B

Indicate whether the following person is liable to tax on the payments he/she received in the year 2020. Explain the tax implication of the tax payments. You may provide relevant computation to support your answer (if any):

1. Mr. Singh is a lawyer and a tax resident of Malaysia. He loves to travel and will take videos and many photos during the journey. During his free time, he writes about the places he visited and end up publishing his first book. Mr. Singh receives royalty income of RM53,400 from the book. (5 marks)

2. Ms. Rara is a bank officer. Since five years ago, she has joined a dancing club as part of her hobby. Slowly, she started to be involved in cultural dances and eventually took part in several cultural performances organised by the Ministry of Tourism, Arts and Culture. In the year 2020, she has received RM18,870 from such activities. (5 marks)

3. Ms. Kim is a nasi lemak seller and a Malaysian tax resident. She has a good voice and dreams to be an artist one day. She always uploads song covers in her Youtube channel. One day, she is approached by Gagita Entertainment to record a tape for a commercial jingle song. She receives a royalty of RM8,900 from the recording. (4 marks)

Prepare your answer according to the following format:

Name of person	*Taxable/ Not taxable*	*Tax implications*

(Total: 25 marks)

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QUESTION 4

Mr. Grey and Ms. Pink are colleagues in Danbam Sdn Bhd. During the year 2020, Mr. Grey and Ms. Pink have respectively received and incurred following income and expenses:

	Mr. Grey (RM)	**Ms. Pink (RM)**
Income:		
Salary	98,420	110,100
Dividend	14,300	-
Interest	22,600	7,650
Expenses:		
EPF	12,400	13,050
Contribution to SOCSO	540	630
Medical treatment for parents	4,800	5,450
Life premium insurance	2,530	3,170
Purchase of sports equipment	1,800	890
Magazine/Newspaper	230	580
Gymnasium membership fee	460	-
Annual tuition fees paid for Masters degree in a local university.	-	8,500
Medical insurance	-	3,200
Total monthly tax deduction	1,710	2,200

Required

a) Compute the income tax payable for Mr. Grey and Ms. Pink for YA2020.

(19 marks)

b) Based on the same information given above, compute the total tax reliefs for Mr. Grey for YA2020 under the following assumptions:

- Mr. Grey and Ms. Pink are married and Ms. Pink has elected to have joint Assessment.
- Mr. Grey and Ms. Pink have a three-month old daughter.
- Ms. Pink purchased breastfeeding equipment worth RM1,700 in July 2020.

(6 marks)

(Total: 25 marks)

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APPENDIX

The following rates and allowances are to be used in answering all questions:

(a) Rates of tax for year of assessment 2020:

(i) Resident company
Paid up capital >RM2.5million : 24%
Paid up capital <RM2.5million:
First RM600,000: 17%
Excess : 24%

(ii) Non-resident company 24%

(iii) Non-resident individual 30%

(iv) Resident individuals:

Chargeable Income (RM)		Rate %	Tax payable (RM)
On the first	5,000		0
On the next	5,000	1	50
On the first	10,000		50
On the next	10,000	1	100
On the first	20,000		150
On the next	15,000	3	450
On the first	35,000		600
On the next	15,000	8	1,200
On the first	50,000		1,800
On the next	20,000	14	2,800
On the first	70,000		4,600
On the next	30,000	21	6,300
On the first	100,000		10,900
On the next	50,000	24	12,000
On the first	150,000		22,900
On the next	100,000	24	24,000
On the first	250,000		46,900
On the next	150,000	24.5	36,750
On the first	400,000		83,650
On the next	200,000	25	50,000
On the first	600,000		133,650
On the next	400,000	26	104,000
On the first	1,000,000		237,650
On the next	1,000,000	28	280,000
On the first	2,000,000		**517,650**
Excess	2,000,000	30	

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(b) Value of benefits in kind – Motor Vehicle and Related Benefits

Cost Of Car When New (RM)	Annual Value Of BIK (RM)	Fuel Per Annum (RM)
Up to 50,000	1,200	600
50,001 - 75,000	2,400	900
75,001 - 100,000	3,600	1,200
100,001 - 150,000	5,000	1,500
150,001 - 200,000	7,000	1,800
200,001 - 250,000	9,000	2,100
250,001 - 350,000	15,000	2,400
350,001 - 500,000	21,250	2,700
500,001 and above	25,000	3,000

(c) Prescribed value of household furnishing, apparatus and appliances.

Category	Types Of BIK	Annual Value Of BIK
(a)	Semi-furnished with furniture in the lounge, dining room or bedrooms.	RM840 (RM 70 per month)
(b)	Semi-furnished with furniture as above and one or more of the following:- air-conditioners, curtains and carpets.	RM1,680 (RM 140 per month)
(c)	Fully-furnished with benefits as above plus one or more of the following:- kitchen equipment, crockery, utensils and appliances.	RM3,360 (RM 280 per month)
(d)	Service charges and other bills such as water and electricity and telephone	Service charge and bills paid by the employer

(d) Prescribed value of other benefits

Item	Types Of BIK	Value Of BIK (RM)
(a)	Gardener	3,600 per annum
(b)	Driver	600 per month
(c)	Domestic servant	4,800 per annum
(d)	Guard	4,800 per annum

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(e) Relief for year assessment 2020:

	PERSONAL RELIEF FOR YA2020	**RM**
1	Taxpayer	9,000
2	Disable taxpayer (additional relief)	6,000
3	Spouse relief (election for joint assessment *or* no source of income) a) Wife/Husband b) Disabled wife/husband (additional) OR Alimony payment to former wife – amount incurred	 4,000 3,500 4,000
4	Reliefs for parents: • Parental relief – apportioned among siblings a) Taxpayer's father b) Taxpayer's mother (age ≥ 60 years old; annual income ≤ RM24,000) OR • Medical treatment, special needs or carer expense for parents – amount incurred	 1,500 1,500 5,000
5	Medical expenses on serious disease for taxpayer, spouse and child including: • Medical examination (max RM500) • Fertility treatment (w.e.f. YA 2020)	6,000
6	Supporting equipment for disabled taxpayer spouse, children or parents	6,000
11	Takaful/Life insurance premium (insured for the life of taxpayer, spouse/joint lives) a) Public servant under pension scheme b) Private sector	 7,000 3,000
12	Education and medical insurance premium (insured for taxpayer, spouse and child)	3,000
13	SOSCO (employee's contribution)	250
14	Education fee for self-improvement • Up to tertiary level: course of study in law, accounting, Islamic financing skills, technical, vocational, industrial, scientific/technological skill or qualification. • Post graduate: any course of study	7,000
15	Lifestyle expenses for taxpayer, spouse and children -purchase reading materials -purchase sports equipment -purchase computer, smartphone/tablet -internet subscription -gym membership fee	2,500

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18	Breastfeeding equipment (child age ≤ 2 years old; can be claimed once every 2 years)	1,000
19	Child care fees to childcare centre/ kindergarten (child age ≤ 6 years old; can be claimed by either taxpayer or spouse.	2,000
20	Personal computer, smartphone and tablet	2,500

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End of Paper